

Remarks

Claims 1-12 are pending. Claims 13-16 are withdrawn per applicants' election in a telephone conversation on August 20, 2007 with Steven D. Underwood (Reg. No. 47,205).

In the Office Action mailed September 7, 2007, claims 1, 9, 11 and 12 stand rejected under 35 U.S.C. § 102(b) as unpatentable over Shaw (20030004859). Claims 2-4, 6 and 7 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Shaw in view of Lupien (5,689,652). Claim 5 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over Shaw in view of Lupien and in further view of Kraus (Price Impacts of Block Trading on the NY Stock Exchange, Alan Kraus, p. 573, col. 2, line 1). Claim 8 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over Shaw in view of Gianakouros (7,035,819). Claim 10 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over Shaw in view of official notice. Applicants respectfully traverse the rejections.

Shaw describes a system for facilitating secure transactions in which indications of interest (IOI) from buyers and sellers are received, and then those received IOIs are matched. When a match occurs, counterparties are notified and a transaction can be consummated. (Shaw, claim 1) Shaw simply describes a straight order matching system that relies on human intervention to negotiate a trade based on the indications of interest (IOIs) from two counterparties.

The present invention relates to confidential block trading, which provides numerous advantages over conventional trading systems. Among other advantages, embodiments of the present invention can determine that an order is "reasonably priced," and transmit a notification that a reasonably priced order for the security is present to system participants without notifying the side the order. Limiting the information contained in a notification about an order, for

example, the side of the order, allows a market participant to generate interest in a security without leaking valuable information about that security or order; thereby helping the market participant avoid potential adverse price action or other adverse effect that may come from the display of liquidity.

The Office Action at page 3 states that claim 1 of Shaw discloses claims 1, 9, 11 and 12 of the present invention. This erroneous allegation essentially summarizes claim 1 of the present invention as mirroring claim 1 of Shaw and then suggests that this summarized version of claim 1 is disclosed by Shaw's claim 1. This is a tautology and is an improper rejection. By simply referring to the summarized version of claim 1 fails to address each of the specific elements of claims 1, 9, 11 and 12.

More specifically, the Office Action does not mention at least the following italicized elements of claim 1:

A method for facilitating trading of securities over a computer system, comprising the steps of:

electronically receiving a first buy or sell order for a security from a first user;

determining that said first order is reasonably priced;

transmitting to a second user an electronic notification *that a reasonably priced order for said security is present, but without notifying said second user of the side of said first order;*

receiving a second order from said second user, wherein said second order is a contra to said first order and *sufficiently aggressive in price to cross said first order;*

and executing a trade comprising said first order and said second order at said first order's limit.

The Examiner is respectfully reminded that MPEP § 2143.03 specifically states that "all words in a claim must be considered in judging the patentability of that claim against the prior art." *In re Wilson*, 424 F.2d 1382, 1385, 165 USPQ 494, 496 (CCPA 1970).

Since claim 1 of Shaw does not discuss, for example, at least that any determination that an order is reasonably priced, any notification of a reasonably priced order for a security is present but without notifying of the side of the order, or any consideration of order prices being aggressive to cross an order, it is submitted that claim 1 is allowable over Shaw. Other than claim 1 of Shaw, no other section of Shaw has been identified in the Office Action as relevant to claim 1 of the present invention.

One overarching difference between claim 1 of the present invention and Shaw, is that Shaw specifically teaches using “indications of interest,” which differ from a firm order. Claim 1 of the present invention recites “electronically receiving a *buy or sell order*.” Embodiments of the present invention are specifically designed to avoid information leakage associated with conventional systems which do not require participants to enter firm auto-executable orders. By requiring firm orders rather than indications of interest, users cannot use “false” IOIs to gain information about potential counterparties and then back away without trading. If an order in the present invention finds a contra whose prices cross, there is always an execution.

Claim 1 specifically recites “determining that said first order is reasonably priced; transmitting to a second user an electronic notification that a reasonably priced order for said security is present.” The Office Action appears to suggest that this element is taught by the element of Shaw’s claim 1: “comparing indications of interest to determine if there is a match, i.e. price is sufficiently aggressive to transact.” While Shaw does teach comparing the prices of IOIs, the price is used to determine a match which causes a notice to be transmitted to parties that a match has occurred. In contrast, claim 1 of the present invention recites determining that an order is “reasonably priced.” A determination that an order is “reasonably priced” differs from a match because a match results in an execution of a trade, whereas when an order is

determined to be “reasonably priced,” a notification is transmitted that alerts a second user to the presence of an order in a particular security - without revealing the side or price of the order.

In Shaw, the price comparison is only relevant if there are two counterparties whose prices cross, or come close to crossing. In the present invention, a “reasonably priced” order is not relevant to a contra order because a determination of a reasonable price is made for every order, regardless of whether or not a potential contra exists. Furthermore, if an order is determined to be “reasonably priced,” the present invention takes action (e.g., transmits a notification as to the presence of the order) regardless of whether or not there is a contra order. Shaw only teaches a sending a notice resulting from a price comparison in the event that a contra indication of interest is present.

For at least the above reasons, the elements of claim 1 are not taught by Shaw. Each of claims 9, 11 and 12, which depend from claim 1, are further distinguishable from Shaw. For example, claims 9, 11 and 12 each recite a “notification indicating that a nearly matching contra order is active within the system.” Shaw’s claim 1 only describes a match. The Office Action suggests that a definition of matching could be construed as including nearly matching orders, however, this is not supported in Shaw or by a dictionary definition of the term match. Indeed, claims 9, 11 and 12 specifically state *nearly* matching to distinguish certain embodiments of the invention from systems with straight matching of orders. In fact, claims 9, 11 and 12 describe an aspect of the present invention unique among all other electronic trading systems. This aspect provides an incentive to traders to enter liquidity in a system by rewarding them with information about contra orders when 1) they have an aggressive order in the system and when 2) there is a near match to that order. This is different than what is provided in conventional systems which penalize a “first mover” for tipping his hand. Furthermore, while a “near match”

and a match in Shaw would result in the same action- a representative calling the two counterparties to negotiate a trade, in the present invention. A “near match” according to, for example claim 1, drives a distinct action (e.g., a notification indicating the presence of a nearly matching contra order), which differs from a match that would generate an automatic execution. Thus, claims 9, 11 and 12 are also allowable over Shaw.

Claims 2-4, 6 and 7 stand rejected under 35 U.S.C. §103(a) over Shaw in view of Lupien. Claims 2-4, 6 and 7 depend from claim 1, and for the reasons discussed above with respect to claim 1 are allowable over a combination of Shaw and Lupien.

With respect to claims 2-4, the Office Action suggests the MMX system taught by Lupien at col. 2, line 37 relates to calculating a block price range. However, MMX relates to using liquidity fees and liquidity credits for determining level of priority for order matching. (Lupien, col. 2, lines 39-43). In contrast, a Block Price Range (BPR) as described in the present application “is calculated based on the current market prices, recent volatility in the symbol, and liquidity... the BPR is calculated by predicting the price range that one is likely to see in the next 60 seconds, and this range is re-calculated at 60-second intervals.” (20040059666, ¶19) In other embodiments, BPR is described as being “determined based upon the National Market Best Bid and Offer and the stock's recent volatility, with the intention to provide guidance on a range of prices within which one would be most likely to execute a large block trade.” (20040059666, ¶23) Claims 3 and 4 further define calculating a BPR using recent market prices or volatility. Other embodiments of BPR are also described in the present application. None of these BPR calculations relate to the MMX system which uses liquidity fees and liquidity credits for determining level of priority for order matching. Calculating a block price range is not described by Lupien’s MMX system. Thus, claims 2-4 are allowable over the cited references.

With respect to claims 6 and 7, the Office Action alleges that the MMX system discussed in Lupien (col. 2, line 36) and its order execution time delay relates to predicting a price range likely to occur within a first predetermined time period (claim 6) and recalculating a block price range at predetermined time intervals (claim 7). Claim 6 relates to predicting a price range in a time period. This is not equivalent to a delay in order execution time which is what Lupien teaches. Claim 7 relates to recalculating a block price range, and is also not relevant to Lupien's order delay.


Dependent claims 5, 8 and 10 include all of the elements of claims from which each depends and each are thus allowable for the reasons discussed above.

For at least the above reasons, claims 1-12 are allowable over the cited references. Withdrawal of the rejections of claims 1-12 is respectfully requested.

No fee is believed due with this Response other than the fee for the two-month extension of time authorized above. However, if any additional fee is due, please charge that fee to Deposit Account No. 50-0310.

Respectfully submitted,

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